

Message Text

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ACTION AF-08

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-01
CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02
OPIC-03 LAB-04 SIL-01 AGRE-00 IGA-02 DODE-00
PA-01 PRS-01 INT-05 ITC-01 /090 W
-----090251Z 120348 /72-61

R 081005Z APR 77
FM AMEMBASSY LUSAKA
TO SECSTATE WASHDC 5373
INFO AMEMBASSY NAIROBI

C O N F I D E N T I A L LUSAKA 0938

NAIROBI FOR REDSO

E.O. 11652: GDS
TAGS: EAID ZA US
SUBJ: FURTHER US AID TO GRZ

REF: LUSAKA 0439, STATE 75436

1. CONVERSATION REPORTED REFTEL TOOK PLACE AT A
TIME WHEN IT APPEARED THAT PERM SECY, MINISTRY OF
ECONOMIC AND TECHNICAL COOPERATION, DR. SIMONDA,
WOULD FILL VACANT POST OF ECONOMIC ADVISER TO PRESIDENT.
THAT HAS PROVEN NOT TO BE THE CASE AND THE POST HAS GONE TO
DOMINIC MULAISHO, FORMERLY MANAGING DIRECTOR OF INDECO.

2. ON APRIL 6, MULAISHO ASKED TO SEE AMBASSADOR AND MAIN TOPIC
OF DISCUSSION WAS PLANNED US AID TO ZAMBIA. CURRENT AID
ACTIVITIES WERE REVIEWED ALONG WITH PROPOSED MANPOWER DEVELOPMENT
(PARTICIPANT TRAINING) PROGRAM ABOUT WHICH MULAISHO VERY
ENTHUSIASTIC. THOUGH NO SPECIFIC PROGRAMS OR SECTORS WERE
DISCUSSED, MULAISHO MADE IT QUITE CLEAR THAT GRZ WAS HOPING
TO REPEAT THIS YEAR'S PROGRAM IN 1978 AT A SOMEWHAT HIGHER
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LEVEL. WE BELIEVE THEY ARE COUNTING ON A 78 PROGRAM OR SECTOR
LOAN OF AT LEAST \$30 MILLION.

3. EMBASSY WOULD LIKE TO POINT OUT THAT GOING BACK TO THE
SEVENTH POINT OF THE KISSINGER SPEECH IN LUSAKA OF LAST APRIL,
THE US HAS CONTINUED TO TAKE THE POSITION THAT A BASIC ELEMENT
IN OUR POLICY HAS BEEN OUR WILLINGNESS TO HELP ALLEVIATE

ECONOMIC HARDSHIP FOR THOSE COUNTRIES BEARING THE BRUNT OF THE STRUGGLE FOR MAJORITY RULE. DURING AND AFTER ASST. ADMIN. STANLEY SCOTT'S VISIT TO LUSAKA IN LATE 1976, THERE WAS CONSIDERABLE WASHINGTON INTEREST IN A SUPPLEMENTAL 1977 PROGRAM LOAN IN LUSAKA. AT THAT TIME THE EMBASSY TRIED TO DISCOURAGE TOO HIGH A LEVEL FOR 77 IN THE FEAR THAT IT WOULD BE DIFFICULT TO MAINTAIN SUCH A LEVEL DURING SUCCESSIVE YEARS. WE HAVE ALWAYS OPERATED ON THE ASSUMPTION, HOWEVER, THAT A PROGRAM OR SECTOR LOAN FOR 78 WAS CONTEMPLATED BY WASHINGTON AND THAT IT COULD BE LARGER THAN THE 77 FIGURE. THERE IS NO QUESTION IN OUR MINDS THAT THE GRZ CONSIDERS OUR WILLINGNESS TO ASSIST THEM AS AN INTEGRAL PART OF OUR INVOLVEMENT IN SUPPORTING A RESOLUTION OF THE PROBLEMS OF SOUTHERN AFRICA. WE WOULD POINT OUT FURTHER THAT PRES. KAUNDA AND GRZ OFFICIALS ACCOMPANYING HIM DURING HIS VISIT TO WASHINGTON LOOK FOR ASSURANCE THAT OUR ASSISTANCE PROGRAM WILL BE MAINTAINED DURING THIS PERIOD OF TEMPORARY ECONOMIC AND POLITICAL HARDSHIP IN ZAMBIA.

4. ZAMBIA'S BALANCE OF TRADE AND PAYMENTS BOTH HEAVILY DEPENDENT ON WORLD COPPER PRICES AND THEREFORE IT IS DIFFICULT TO MAKE REASONABLE ESTIMATES FOR 1977. GIVEN PAYMENTS BACKLOG IT IS SAFE TO SAY THAT OVERALL BALANCE OF PAYMENTS POSITION WILL NOT IMPROVE SIGNIFICANTLY OVER 1976 ESTIMATED DEFICIT OF \$120 MILLION. FAVORABLE BALANCE OF TRADE IN 1976 OF \$255 MILLION COULD SWING SIGNIFICANTLY DEPENDING ON COPPER PRICES. THE CURRENT LEGISLATIVE RESTRICTIONS ON IMPORTS WILL MOST LIKELY REMAIN IN EFFECT THROUGHOUT 1977 AND, COUPLED WITH THE CONTINUED SHORTAGE OF FOREIGN EXCHANGE, SHOULD MEAN A LEVEL OF IMPORTS WELL BELOW THAT REQUIRED FOR EVEN MINIMAL GROWTH IN THE GDP. IT SHOULD ALSO

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BE NOTED THAT ANY SIGNIFICANT INCREASE IN FOREIGN RESERVES MIGHT WELL BE USED TO PAY OFF ARREARAGES WHICH NOW AVERAGE BETTER THAN 6 MONTHS.
LOW

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